

CITY OF PLEASANT HILL
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2011

CITY OF PLEASANT HILL

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CITY OF PLEASANT HILL

OFFICIALS

(Before January 1, 2011)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jason Dively.....	Mayor.	(Resigned 12-31-10)
Leonard Murray.....	Mayor pro tem.....	Dec 2011
Melissa Garrett.....	Council Member.....	Dec 2013
Raian Hanson.....	Council Member.....	Dec 2011
Donavon Howard.....	Council Member.....	Dec 2013
Bill Lack.....	Council Member.....	Dec 2011
Leonard Murray.....	Council Member.....	Dec 2011
Donald Sandor.....	City Manager.....	Indefinite
Susan Lensch Mahannah.....	City Clerk/Finance Director.....	Indefinite
Edwin Skinner.....	Attorney.....	Indefinite

(After January 1, 2011)

Mike Richardson.....	Mayor.	(Started 2-8-11) Dec 2013
Leonard Murray.....	Mayor pro tem.....	Dec 2011
Melissa Garrett.....	Council Member.....	Dec 2013
Raian Hanson.....	Council Member.....	Dec 2011
Donavon Howard.....	Council Member.....	Dec 2013
Bill Lack.....	Council Member.....	Dec 2011
Leonard Murray.....	Council Member.....	Dec 2011
Donald Sandor.....	City Manager.....	Indefinite
Susan Lensch Mahannah.....	City Clerk/Finance Director.....	Indefinite
Edwin Skinner.....	Attorney.....	Indefinite

City of Pleasant Hill



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Pleasant Hill, Iowa as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Pleasant Hill's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Pleasant Hill as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 31, 2011 on our consideration of the City of Pleasant Hill's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pleasant Hill's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Martens & Company, CPA, LLP

West Des Moines, Iowa
October 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Pleasant Hill provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- The City's governmental funds' receipts increased 42%, or approximately \$4,467,000, from fiscal year 2010. Property tax increased approximately \$65,000 and bond proceeds increased \$3,900,000.
- City program disbursements decreased 3%, or approximately \$325,000, from fiscal year 2010. Public works, capital projects and culture and recreation disbursements increased approximately \$135,000, \$250,000 and \$40,000, respectively. Public safety, general government, debt service and community and economic development decreased approximately \$22,000, \$40,000, \$517,000 and \$171,000, respectively.
- The City's total cash basis net assets at June 30, 2011 increased approximately 59% or approximately \$4,825,000 from June 30, 2010. Of this amount, the City's governmental activities cash basis net assets increased approximately \$4,760,000 (73%), and the assets of the business type activities increased approximately \$65,000 (4%).

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a statement of activities and net assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other supplementary information provides detail information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "How do the City's finances compare at the end of this fiscal year to the last fiscal year?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property and other taxes finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer and solid waste systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the sewer fund, considered to be a major fund of the City and the Solid Waste and Water Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Government Activities

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago from approximately \$6.50 million to \$11.26 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	<u>Year ended June 30,</u>	
	<u>2011</u>	<u>2010</u>
Receipts:		
Program receipts:		
Charges for service	\$ 495	\$ 424
Operating grants, contributions and restricted interest	1,054	912
Capital grants, contributions and restricted interest	323	203
General receipts:		
Property tax	7,671	7,606
Hotel motel tax	150	131
Other tax	1,199	1,362
Unrestricted interest on investments	7	10
Bond proceeds	3,900	-
Other general receipts	<u>416</u>	<u>100</u>
Total receipts	<u>15,215</u>	<u>10,748</u>
Disbursements:		
Public safety	2,017	2,039
Public works	944	809
Health and social services	-	-
Culture and recreation	796	756
Community and economic development	691	862
General government	920	960
Debt service	2,876	3,393
Capital projects	<u>2,211</u>	<u>1,961</u>
Total disbursements	<u>10,455</u>	<u>10,780</u>
Change in cash basis net assets before transfers	4,760	(32)
Transfers, net	<u>-</u>	<u>-</u>
Change in cash basis net assets	4,760	(32)
Cash basis net assets beginning of year	<u>6,504</u>	<u>6,536</u>
Cash basis net assets end of year	<u>\$ 11,264</u>	<u>\$ 6,504</u>

The City's total receipts for governmental activities increased by 42 percent (\$4,467,000). The total cost of all programs and services decreased by approximately \$325,000 or 3 percent primarily due to decreased debt service expenditures. Receipts increased primarily due to a new bond issue during the year ended June 30, 2011.

Based on increases in the total assessed valuation and expanded tax increment finance districts, property tax receipts are budgeted to increase by an additional \$341,000 next year.

The cost of all governmental activities this year was approximately \$10.5 million compared to \$10.8 million last year. However, as shown in the statement of activities and net assets on pages 16-17, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$8.583 million because some of the cost was paid by those directly benefited from the programs (\$495,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,377,000). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, increased in 2011 from approximately \$1,539,000 to approximately \$1,872,000, principally due to an increase in operating and capital grants, contributions and restricted interest. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$9,020,000 in tax (some of which could only be used for certain programs) with cash reserves and with other receipts, such as interest and general receipts.

Business Type Activities

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ -	\$ 75
Sewer	1,295	1,161
Solid waste	381	367
General receipts:		
Unrestricted interest on investments	8	12
Bond proceeds	-	620
Total receipts	<u>1,684</u>	<u>2,235</u>
Disbursements:		
Water	-	81
Sewer	1,224	1,546
Solid waste	395	357
Total disbursements	<u>1,619</u>	<u>1,984</u>
Change in cash basis net assets before transfers	65	251
Transfers, net	-	-
Change in cash basis net assets	65	251
Cash basis net assets beginning of year	<u>1,659</u>	<u>1,408</u>
Cash basis net assets end of year	<u>\$ 1,724</u>	<u>\$ 1,659</u>

Total business type activities receipts for the fiscal year were approximately \$1.684 million compared to \$2.235 million last year. This decrease was due primarily to no bond issue for business type activities this year. The cash balance increased by approximately \$65,000 from the prior year. Total disbursements for the fiscal year decreased by approximately 18 percent to a total of \$1.619 million due to decreased amounts paid to the Des Moines Wastewater Reclamation Authority.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Pleasant Hill completed the year, its governmental funds reported a combined fund balance of approximately \$10,951,000, an increase of approximately \$4,693,000 above last year's total of approximately \$6,258,000. The following are the major reasons for the changes in cash balances from the prior year for the City's major funds.

Governmental Funds

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$1,341,766, an increase of \$336,132 from the prior year. This increase was due to increased property tax collections.
- The Special Revenue, Urban Renewal Tax Increment Fund was established to account for major urban renewal projects within the City's TIF districts. At the end of the fiscal year, the cash balance was \$4,390,585, an increase of \$1,258,864 from the previous year. The increase was the result of decreased transfers out of TIF funds for debt service and capital projects. Any TIF debt will be paid off with incremental property taxes generated from the increased taxable valuation in the district.
- The Debt Service Fund cash balance decreased by \$28,843 to \$119,420. Bond principal and interest payments decreased by approximately \$517,000. This decrease was due to reduced indebtedness.
- The Capital Projects Fund was established to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through Enterprise Funds. At the end of the fiscal year, the cash balance was \$4,696,521, an increase of \$3,054,506 from the prior year. This increase was primarily due to a new bond issue during the year.

Individual Major Business Type Fund Analysis

- The cash balance of the Sewer Fund increased by \$76,541 to \$1,255,669 due primarily to increased sewer charges.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once. The amendment was approved on May 25, 2011 to provide for additional expenditures in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were approximately \$65,000 less than budgeted. This was primarily due to amounts budgeted for refunds and reimbursements were less than budgeted.

With the budget amendments, total disbursements were approximately \$1,551,000 less than the amended budget. This was primarily due to the work on an anticipated sports complex being turned down by voters and the early payoff of a bond issue in the prior year. However, the actual disbursements for the debt service and capital projects functions were \$569,480 and \$301,333 respectively, less than the amended budget.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$8,627,000 in bonds and other long-term debt compared to \$7,289,000 last year as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30, 2011	2010
General obligation bonds	\$ 8,435	\$ 7,135
Capital lease & 28E agreement	192	154
	<u>\$ 8,627</u>	<u>\$ 7,289</u>

Debt increased as a result of the City's issuing a new \$3.9 million bond issue.

The City carries a general obligation bond rating of Aa3 assigned by a national rating agency to the City's debt. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$8.63 million plus its tax increment financing rebate agreements of \$1.9 million are below the City's \$48.2 million legal debt limit.

More detailed information about the City's long-term liabilities is presented in Notes 3, 4, 5 and 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2011 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's population growth since the 2000 census is estimated at 60 percent. Unemployment in the metro area as of June, 2011 stands at 6.8 percent. This compares with the state unemployment rate of 6.0 percent.

The U.S. Consumer Price Index (CPI) is a measure of the changes in retail prices of a fixed market grouping of consumer goods and services. The CPI-U for July 2010 was 225.722. For the 12 month period that ended in June, 2011 the CPI-U increased to 3.6 percent.

These indicators were taken into account when adopting the budget for 2012. Budgeted disbursements are expected to decrease by approximately \$2.6 million due to a decrease in capital projects and budgeted revenues are expected to decrease approximately \$790,000.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$1.5 million by the close of fiscal year 2012.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan Lensch Mahannah, City Clerk, Pleasant Hill, Iowa 50327.

Basic Financial Statements

CITY OF PLEASANT HILL

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2011

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 2,017,086	\$ 331,685	\$ 172,608	\$ -
Public works	944,210	-	761,165	-
Health and social services	25	-	-	-
Culture and recreation	796,184	23,884	98,240	-
Community and economic development	691,156	77,921	21,893	-
General government	919,745	61,495	126	-
Debt service	2,875,520	-	-	-
Capital projects	2,210,587	-	-	322,544
Total governmental activities	<u>10,454,513</u>	<u>494,985</u>	<u>1,054,032</u>	<u>322,544</u>
Business type activities:				
Sewer	1,224,074	1,295,530	-	-
Solid waste	395,155	380,870	-	-
Total business type activities	<u>1,619,229</u>	<u>1,676,400</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$12,073,742</u></u>	<u><u>\$2,171,385</u></u>	<u><u>\$1,054,032</u></u>	<u><u>\$ 322,544</u></u>

General receipts:

Property and other city tax levied for:

 General purposes

 Debt service

Tax increment financing

Hotel motel tax

Other tax

Unrestricted investment earnings

Bond proceeds

Miscellaneous

Sale of capital assets

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Nonexpendable:

 Cemetery perpetual care

Expendable:

 Streets

 Urban renewal purposes

 Capital projects

 Debt service

 Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (1,512,793)	\$ -	\$ (1,512,793)
(183,045)	-	(183,045)
(25)	-	(25)
(674,060)	-	(674,060)
(591,342)	-	(591,342)
(858,124)	-	(858,124)
(2,875,520)	-	(2,875,520)
(1,888,043)	-	(1,888,043)
(8,582,952)	-	(8,582,952)
-	71,456	71,456
-	(14,285)	(14,285)
-	57,171	57,171
(8,582,952)	57,171	(8,525,781)
2,395,504	-	2,395,504
517,168	-	517,168
4,758,779	-	4,758,779
150,200	-	150,200
1,198,712	-	1,198,712
7,241	8,158	15,399
3,900,000	-	3,900,000
95,046	-	95,046
320,000	-	320,000
13,342,650	8,158	13,350,808
4,759,698	65,329	4,825,027
6,504,375	1,658,658	8,163,033
\$11,264,073	\$ 1,723,987	\$12,988,060
\$ 55,272	\$ -	\$ 55,272
236,415	-	236,415
4,390,585	-	4,390,585
4,696,521	-	4,696,521
119,420	-	119,420
424,697	23,593	448,290
1,341,164	1,700,394	3,041,557
\$11,264,074	\$ 1,723,987	\$12,988,060

CITY OF PLEASANT HILL

Statement of Cash Receipts, Disbursements and Changes in Cash Balances Governmental Funds

As of and for the year ended June 30, 2011

	Special Revenue		
	Urban		
	General	Renewal Tax Increment	Debt Service
Receipts:			
Property tax	\$ 1,973,477	\$ -	\$ 517,168
Tax increment financing	-	4,758,779	-
Other City tax	1,100,962	-	111,454
Licenses and permits	65,175	-	-
Use of money and property	52,794	20,277	1,560
Intergovernmental	318,269	-	-
Charges for service	293,963	-	-
Miscellaneous	135,203	-	-
Total receipts	3,939,843	4,779,056	630,182
Disbursements:			
Operating:			
Public safety	1,970,745	-	-
Public works	142,883	-	-
Health and social services	25	-	-
Culture and recreation	796,184	-	-
Community and economic development	246,856	444,300	-
General government	919,745	-	-
Debt service	-	-	2,875,520
Capital projects	-	-	-
Total disbursements	4,076,438	444,300	2,875,520
Excess (deficiency) of receipts over (under) disbursements	(136,595)	4,334,756	(2,245,338)
Other financing sources (uses):			
Bond proceeds	-	-	-
Sale of assets	-	-	-
Operating transfers in	554,742	-	2,216,495
Operating transfers out	(82,015)	(3,077,892)	-
Total other financing sources (uses)	472,727	(3,077,892)	2,216,495
Net change in cash balances	336,132	1,256,864	(28,843)
Cash balances beginning of year, as restated	1,005,634	3,133,721	148,263
Cash balances end of year	\$ 1,341,766	\$ 4,390,585	\$ 119,420
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -
Restricted for:			
Urban renewal purposes	-	4,390,585	-
Debt service	-	-	119,420
Streets	-	-	-
Other purposes	-	-	-
Unassigned	1,341,766	-	-
Total cash basis fund balances	\$ 1,341,766	\$ 4,390,585	\$ 119,420

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total
\$ -	\$ 422,027	\$ 2,912,672
-	-	4,758,779
-	136,496	1,348,912
-	-	65,175
23,554	2,353	100,538
284,298	756,780	1,359,347
-	-	293,963
14,693	3,505	153,401
322,545	1,321,161	10,992,787
-	-	1,970,745
-	692,121	835,004
-	-	25
-	-	796,184
-	-	691,156
-	-	919,745
-	-	2,875,520
2,210,587	-	2,210,587
2,210,587	692,121	10,298,966
(1,888,042)	629,040	693,821
3,900,000	-	3,900,000
320,000	-	320,000
861,396	-	3,632,633
(138,848)	(554,742)	(3,853,497)
4,942,548	(554,742)	3,999,136
3,054,506	74,298	4,692,957
1,642,015	328,412	6,258,045
\$ 4,696,521	\$ 402,710	\$10,951,002
\$ -	\$ 55,272	\$ 55,272
-	-	4,390,585
-	-	119,420
-	236,415	236,415
4,696,521	111,023	4,807,544
-	-	1,341,766
\$ 4,696,521	\$ 402,710	\$10,951,002

CITY OF PLEASANT HILLReconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2011

Total governmental funds cash balances (pages 16-17)	\$10,951,002
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*Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the equipment replacement. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

	<u>313,071</u>
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Cash basis net assets of governmental activities (pages 14-15)	<u>\$11,264,073</u>
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Net change in cash balances (pages 16-17)	4,692,957
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*Amounts reported for governmental activities in the Statement of Activities
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of equipment replacement to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities.

	<u>66,741</u>
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Change in cash balance of governmental activities (pages 14-15)	<u>\$ 4,759,698</u>
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See notes to financial statements.

CITY OF PLEASANT HILL

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2011

	Enterprise Funds				Internal Service Fund
	Nonmajor				
	Sewer	Water	Solid Waste	Total	Equipment Replacement
Operating receipts:					
Charges for service	\$ 1,282,375	\$ -	\$ 380,870	\$ 1,663,245	\$ -
Total operating receipts	1,282,375	-	380,870	1,663,245	-
Operating disbursements:					
Business type activities	949,273	-	395,155	1,344,428	155,547
Total operating disbursements	949,273	-	395,155	1,344,428	155,547
Excess (deficiency) of operating receipts over (under) operating disbursements	333,102	-	(14,285)	318,817	(155,547)
Non-operating receipts (disbursements):					
Interest on investments	5,085	2,543	530	8,158	1,424
Miscellaneous	13,155	-	-	13,155	-
Debt service	(215,539)	-	-	(215,539)	-
Capital projects	(59,262)	-	-	(59,262)	-
Net non-operating receipts (disbursements)	(256,561)	2,543	530	(253,488)	1,424
Excess (deficiency) of receipts over (under) disbursements	76,541	2,543	(13,755)	65,329	(154,123)
Transfers:					
Operating transfers in	-	-	-	-	220,864
Net change in cash balances	76,541	2,543	(13,755)	65,329	66,741
Cash balances beginning of year	1,179,128	368,981	110,549	1,658,658	246,330
Cash balances end of year	\$ 1,255,669	\$ 371,524	\$ 96,794	\$ 1,723,987	\$ 313,071
Cash Basis Fund Balances					
Reserved for meter deposits	\$ -	\$ 23,593	\$ -	\$ 23,593	\$ -
Unreserved	1,255,669	347,931	96,794	1,700,394	313,071
Total cash basis fund balances	\$ 1,255,669	\$ 371,524	\$ 96,794	\$ 1,723,987	\$ 313,071

See notes to financial statements.

CITY OF PLEASANT HILL

Notes to Financial Statements

June 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pleasant Hill is a political subdivision of the State of Iowa located in Polk County. It was incorporated in 1956 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Pleasant Hill has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Pleasant Hill has no component units which meet the Governmental Accounting Standards Board criteria.

Joint Venture

The City participates in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA). The WRA, a joint venture, was developed as the result of an agreement between the City of Des Moines and surrounding municipalities. (See Note 4)

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions; Polk County Assessor's Conference Board, Polk County Emergency Management Commission, Polk County Joint E911 Service Board, Des Moines Area Metropolitan Planning Organization, Des Moines Regional Transit Authority and Polk County Firefighters Association.

B. Basis of Presentation

Government-wide Financial Statements - The statement of activities and net assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in the following components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The statement of activities and net assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis. This is composed of the equipment replacement fund. This proprietary fund is reported with governmental activities in the government wide statements.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants (if applicable) and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2011

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus and Basis of Accounting - Continued

Enterprise funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principle Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements and which apply to the comprehensive basis of accounting used.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, all functions were within the budget guidelines.

E. Property Taxes

All City property taxes must be certified to the Polk County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. Property taxes are levied in June and attached as an enforceable lien on the property on July 1.

Property taxes levied for the year ending June 30, 2011, attached as an enforceable lien on July 1, 2010, with the first half installment being delinquent after September 30, 2010 and the second half installment being delinquent after March 31, 2011.

(2) CASH AND INVESTMENTS

The City's deposits in banks at June 30, 2011, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2011

(2) CASH AND INVESTMENTS - CONTINUED

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) LONG TERM DEBT

Annual debt service requirements to maturity for general obligation bonds and urban renewal corporate purpose bonds are as follows:

	Balance June 30, 2010	Issued	Redeemed	Balance June 30, 2011
Governmental Activities				
General obligation bonds	\$6,515,000	\$3,900,000	\$2,550,000	\$7,865,000
Business type Activities				
General obligation bonds	<u>620,000</u>	<u>-</u>	<u>50,000</u>	<u>570,000</u>
	<u>\$7,135,000</u>	<u>\$3,900,000</u>	<u>\$2,600,000</u>	<u>\$8,435,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

June 30,	General Obligation Bonds	
	Principal	Interest
2012	\$ 2,635,000	\$ 208,900
2013	2,705,000	160,915
2014	1,170,000	105,825
2015	455,000	65,150
2016	465,000	51,425
2017-2021	<u>1,005,000</u>	<u>81,355</u>
	<u>\$ 8,435,000</u>	<u>\$ 673,570</u>

Total bond debt repayments were \$2,600,000 and interest expense paid was \$242,214 for the year ended June 30, 2011. Interest rates on debt range from 0.65% to 4.10%.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2011

(3) LONG TERM DEBT - CONTINUED

Prior Years' Debt Defeasance

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2011, the amount of defeased debt outstanding but removed from the General Long-Term Debt amounted to \$460,000.

The City has entered into a contract with the Southeast Polk School District for reimbursement of partial payment of the November, 2007 bond issue. The school district is paying for one-half of the cost on the Meacham Drive costs paid with the bond issue. Total amounts to be received from the school district were \$704,000 in bond principal and \$96,132 in bond interest. Payments are received by the City as principal and interest is due on the bonds. Balances due from the school district at June 30, 2011 were \$311,168 in bond principal and \$23,213 in bond interest.

The City entered into a 28E agreement with Polk County for the cost of culvert replacement under Evans Boulevard. The agreement calls for the City to make 10 annual payments to the county. Total cost to the City is \$223,762. Balance owed on the agreement at June 30, 2011 was \$179,010.

As of June 30, 2011, the future minimum payments on the agreement are as follows:

<u>June 30,</u>	
2012	\$ 22,376
2013	22,376
2014	22,376
2015	22,376
2016	22,376
2017-2020	67,130

Capital Lease

The City entered into a 28E agreement with several other metro cities and the Metro Waste Authority for the lease purchase of a metropolitan salt storage facility. The agreements call for each city to pay its proportionate share (approximately 2.0% for the City) of said costs based on each city's allocated salt storage capacity. The cities cannot withdraw from the agreement before June 30, 2013. Withdrawal after June 30, 2013 causes the City to forfeit all rights, title, ownership and interest in the shared building. The City's total costs for the construction are not to exceed \$32,839. The City is to make payments of \$6,567.78 per year with a final payment due on July 1, 2013. Balance owed at June 30, 2011 was \$13,135.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2011

(3) LONG TERM DEBT - CONTINUED

As of June 30, 2011, the future minimum payments on the lease are as follows:

<u>June 30,</u>	
2013	\$ 6,568
2014	6,567

(4) JOINT VENTURE AND COMMITMENTS

The City is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture. This joint venture provides primary and secondary treatment of sewer flows for the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004. This agreement amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board, creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and are adjusted prospectively for differences in budgeted flows and actual flows.

The City of Pleasant Hill retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004A, 2004B and 2006 include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

The WRA Agreement requires the debt service on the Series 2004A bonds to be allocated using the annual flow allocation to the participating communities based on the existing allocations of debt service under the prior I.C.A. agreement. The Series 2004A bonds had a balance of \$2,735,000 as of June 30, 2011. The City of Pleasant Hill has a commitment for approximately \$67,936, or 2.48%, for future principal payment requirements on that debt. The WRA Sewer Revenue Bonds Series 2004B and 2006 bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2011, the Series 2004B bonds had a balance of \$61,245,000 and the City of Pleasant Hill's estimated future allocation based on the WRA flows is currently \$591,996, or 1.19%. As of June 30, 2011, the Series 2006 bonds had a balance of \$35,795,000 and the City of Pleasant Hill's estimated future allocation based on the WRA Flows is currently \$314,101 or 0.88%. The State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2011, the State Revolving Loans had a balance of \$107,605,146 and the City of Pleasant Hill's estimated future allocation based on the WRA flows is currently \$814,633 or 0.76%.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2011

(4) JOINT VENTURE AND COMMITMENTS - CONTINUED

The pre 2004 State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2011, the WRA had \$7,373,000 in outstanding pre 2004 State Revolving Loans, of which \$127,744 or 1.73% of future principal debt service is a commitment of the City of Pleasant Hill.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. Pursuant to the new agreement, the City's investment in the joint venture under the I.C.A. Agreement has been contributed to the new WRA organization. The City retains a reversionary interest percentage in the net assets of the WRA redeemable only in the event the WRA is dissolved. During the year ended June 30, 2011, the City paid the WRA \$466,078 for operations, maintenance, equipment replacements and debt service payments. In addition, the City purchased additional sewer capacity from the WRA for \$59,262.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

(5) DES MOINES WATER WORKS REVENUE BONDS

The City entered into an agreement with the Des Moines Water Works to purchase capacity in the Des Moines Water Works water production and delivery systems. The City joined the Des Moines Water Works in the sale of water revenue bonds for this purpose. The water revenue bonds were issued May 15, 1997, and the City of Pleasant Hill's share of the debt issuance originally was \$1,920,000.

On January 1, 2005, the City entered into a total service Chapter 28E agreement with the Des Moines Water Works. Under the agreement, the Des Moines Water Works will provide total water service to consumers located in the City service territory and combined billing services to the City's other utility enterprises. The City maintains ownership of its water utility assets except for customer meters. Beginning January 1, 2005, the City's obligation to reimburse the Des Moines Water Works for debt service incurred under the 1996 purchased capacity agreement shall be recovered by the Des Moines Water Works revenue from the residents of the City through City water rates, until the original debt is satisfied in full in December 2017. The City's obligation for debt service payments shall resume and continue until satisfied should this agreement be terminated prior to December 2017.

The City is contingently liable as of June 30, 2011, for \$998,295 in bond principal and \$164,401 in bond interest if the current agreement with Des Moines Water Works is terminated.

(6) DEVELOPMENT AGREEMENTS

The City has entered into various tax increment financing development rebate agreements. These agreements call for the City to make economic development tax rebate payments each year out of incremental taxes received by the City. These arrangements run for 5 to 10 years. Payments totaling \$439,506 were made during the year ended June 30, 2011 under these agreements.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2011

(6) DEVELOPMENT AGREEMENTS - CONTINUED

The outstanding balance of these development rebate agreements was approximately \$3,122,000 at June 30, 2011. The obligations are considered a general obligation of the City for purposes of determining the City's debt limit.

The City has entered into a utility extension agreement with Polk County and a developer. Under the agreement \$1,009,600 plus interest (beginning in 2012) at 4% per annum is to be paid to the county. The agreement calls for the repayment to be made by the developer and from sewer connection fees the City collects. In addition, the City advanced \$300,000 to the developer, which the developer is to in turn use these funds to pay towards the obligation. The \$300,000 advance is repaid to the City through the City not being required to pay to Polk County for sewer connection fees.

(7) PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$192,060, \$174,041 and \$147,048, respectively, equal to the required contributions for each year.

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, as amended on August 20, 1996. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of participants (or their beneficiaries in the event of the participant's death) until termination, retirement, death, or an unforeseeable emergency. The City provides neither administrative service to the plan nor investment advice for the plan.

(8) COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement, or death. Employees who have accrued 30 days of sick leave may elect, only once during the month of July, to sell back, at fifty percent value, any days in excess of 30 days payable during the month of December. Employees who have accrued 30 days of sick may also elect, at any time, to transfer hours to a retirement fund, at one hundred percent value, any days in excess of 30 days. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2011

(8) COMPENSATED ABSENCES - CONTINUED

Type of Benefit	Amount
Vacation	\$ 129,000
Sick leave	60,000
Compensatory time	40,000
Retirement fund	65,000
Total	<u>\$ 294,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

(9) RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$1,398 during the year ended June 30, 2011.

(10) RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2011 were \$96,126.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2011

(10) RISK MANAGEMENT - CONTINUED

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation insurance. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) IOWA EVENTS CENTER

An agreement was entered into by the City and Polk County, Iowa to commit City funding for the financing of the construction of the Iowa Events Center Project in Des Moines. The City is to provide a grant of \$5,000 per year to be used by the County for the project. The grant is being advanced over 10 years. Payments began in the fiscal year ended June 30, 2004 and are subject to annual budget allocation and approval.

(12) INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$14,590,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which approximately \$11,383,700 is outstanding at June 30, 2011. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2011

(13) CONSTRUCTION CONTRACTS

The City has entered into various construction contracts totaling approximately \$916,000. The unpaid contract balances as of June 30, 2011 totaled approximately \$275,500 which will be paid as work progresses.

(14) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General Fund	Special Revenue: Employee Benefits	<u>\$ 554,742</u>
Debt Service	Special Revenue: TIF	<u>2,216,495</u>
Capital Projects	Special Revenue: TIF	<u>861,396</u>
Internal Service: Equipment Replacement	Special Revenue: Emergency Capital Projects	82,015 <u>138,849</u> <u>220,864</u>
Total		<u>\$ 3,853,497</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(15) POST-EMPLOYMENT BENEFITS

All full-time employees who retire or become disabled are offered the following post-employment benefit options:

Health insurance - The option of continuing with the City's health insurance plan at the individual's own cost.

Life insurance - The option of converting the employee's City-paid policy from term insurance to whole life insurance at the individual's expense with the City's life insurance carrier.

Long-term disability - The option of converting the employee's City-paid group policy to a personal policy at the individual's expense with the City's long-term disability insurance carrier.

CITY OF PLEASANT HILL

Notes to Financial Statements - Continued

June 30, 2011

(15) POST-EMPLOYMENT BENEFITS - CONTINUED

Health insurance bank - Employees may elect to set aside accrued leave for the purpose of health insurance premiums upon retirement.

There are 40 active, 1 COBRA and 0 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$1,033 per month. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed approximately \$508,000 to the plan.

The City has entered into agreements with the City Manager and Police Chief which formally identifies the financial obligation of the City to them in the event of an involuntary employment termination. The severance agreements provide for a termination payment equal to six to nine months of wages plus six to nine months of medical insurance benefits. The compensation rate is based upon the compensation paid to the applicable employees at the time of termination.

(16) SUBSEQUENT EVENTS

The City has evaluated all subsequent events through October 31, 2011, the date the financial statements were available to be issued.

(17) ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>General</u>	<u>Special Revenue, Emergency Levy</u>
Balances June 30, 2010, as previously reported	\$ 1,005,632	\$ 2
Change in fund type classification per implementation of GASB Statement No. 54	<u>2</u>	<u>(2)</u>
Balances July 1, 2010, as restated	<u>\$ 1,005,634</u>	<u>\$ -</u>

Required Supplementary Information

CITY OF PLEASANT HILL

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Required Supplementary Information Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 2,912,672	\$ -	\$ -	\$ 2,912,672
Tax increment financing collections	4,758,779	-	-	4,758,779
Other City tax	1,348,912	-	-	1,348,912
Licenses and permits	65,175	-	-	65,175
Uses of money and property	100,538	9,582	1,424	108,696
Intergovernmental	1,359,347	-	-	1,359,347
Charges for service	293,963	1,663,245	-	1,957,208
Miscellaneous	153,401	13,155	-	166,556
Total receipts	10,992,787	1,685,982	1,424	12,677,345
Disbursements:				
Public safety	1,970,745	-	-	1,970,745
Public works	835,004	-	-	835,004
Health and social services	25	-	-	25
Culture and recreation	796,184	-	-	796,184
Community and economic development	691,156	-	-	691,156
General government	919,745	-	-	919,745
Debt service	2,875,520	-	-	2,875,520
Capital projects	2,210,587	-	-	2,210,587
Business type activities	-	1,774,776	-	1,774,776
Total disbursements	10,298,966	1,774,776	-	12,073,742
Excess (deficiency) of receipts over (under) disbursements	693,821	(88,794)	1,424	603,603
Other financing sources (uses), net	3,999,136	220,864	220,864	3,999,136
Excess (deficiency) of receipts over (under) disbursements and other financing uses	4,692,957	132,070	222,288	4,602,739
Balances beginning of year	6,258,045	1,904,988	246,330	7,916,703
Balances end of year	<u>\$10,951,002</u>	<u>\$ 2,037,058</u>	<u>\$ 468,618</u>	<u>\$12,519,442</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 2,874,037	\$ 2,874,037	\$ 38,635
2,045,944	4,590,000	168,779
1,413,106	1,413,106	(64,194)
169,045	77,045	(11,870)
79,510	79,510	29,186
1,321,472	1,321,472	37,875
1,977,405	1,977,405	(20,197)
401,424	409,424	(242,868)
10,281,943	12,741,999	(64,654)
2,049,056	2,064,056	93,311
897,175	897,175	62,171
7,500	7,500	7,475
805,803	820,803	24,619
858,030	858,030	166,874
1,061,830	1,061,830	142,085
2,101,434	3,445,000	569,480
11,261,920	2,511,920	301,333
1,958,910	1,958,910	184,134
21,001,658	13,625,224	1,551,482
(10,719,715)	(883,225)	1,486,828
8,500,000	(250,000)	4,249,136
(2,219,715)	(1,133,225)	5,735,964
11,333,072	11,333,072	(3,416,369)
<u>\$ 9,113,357</u>	<u>\$10,199,847</u>	<u>\$ 2,319,595</u>

CITY OF PLEASANT HILL

Required Supplemental Information

Notes To Required Supplementary Information - Budgetary Reporting

June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except internal service funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects fund, permanent fund and enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$7,376,434. This budget amendment is reflected in the final budgeted amounts.

Other Supplementary Information

CITY OF PLEASANT HILL

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances Nonmajor Governmental Funds

As of and for the year ended June 30, 2011

			Special Revenue
	Road Use Tax	Drug Enforcement Agency	Employee Benefit Tax
Receipts:			
Property tax	\$ -	\$ -	\$ 422,027
Other City tax	-	-	136,496
Use of money and property	880	132	200
Intergovernmental	756,780	-	-
Miscellaneous	3,505	-	-
Total receipts	761,165	132	558,723
Disbursements:			
Operating:			
Public works	692,121	-	-
Total disbursements	692,121	-	-
Excess of receipts over disbursements	69,044	132	558,723
Other financing sources (uses):			
Operating transfers out	-	-	(554,742)
Total other financing sources (uses)	-	-	(554,742)
Net change in cash balances	69,044	132	3,981
Cash balances beginning of year	167,371	37,252	47
Cash balances end of year	\$ 236,415	\$ 37,384	\$ 4,028
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -
Restricted for:			
Streets	236,415	-	-
Other purposes	-	37,384	4,028
Total cash basis fund balances	\$ 236,415	\$ 37,384	\$ 4,028

See accompanying independent auditor's report.

Avenue of Flags	Park & Recreation Complex	Library	Memorial	Permanent Cemetery Perpetual Care	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 422,027
-	-	-	-	-	136,496
10	264	230	6	631	2,353
-	-	-	-	-	756,780
-	-	-	-	-	3,505
10	264	230	6	631	1,321,161
-	-	-	-	-	692,121
-	-	-	-	-	692,121
10	264	230	6	631	629,040
-	-	-	-	-	(554,742)
-	-	-	-	-	(554,742)
10	264	230	6	631	74,298
2,252	26,960	38,626	1,263	54,641	328,412
\$ 2,262	\$ 27,224	\$ 38,856	\$ 1,269	\$ 55,272	\$ 402,710
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,272
2,262	27,224	38,856	1,269	-	236,415
					111,023
\$ 2,262	\$ 27,224	\$ 38,856	\$ 1,269	\$ 55,272	\$ 402,710

CITY OF PLEASANT HILL

Schedule of Indebtedness

Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
Urban Renewal Municipal Building	Apr 15, 2004	2.95 - 3.80%	\$2,000,000
Urban Renewal Corporate Purpose	Jun 27, 2006	3.85 - 3.95%	1,700,000
Urban Renewal Corporate Purpose	Nov 1, 2007	3.625 - 3.70%	2,500,000
Corporate Purpose and Refunding	Apr 13, 2009	2.05 - 3.30%	2,865,000
Sewer Improvement	Dec 15, 2009	1.50 - 4.10%	620,000
Urban Renewal Corporate Purpose	Nov 1, 2010	0.65 - 0.85%	3,900,000
Capital Lease:			
Metro Waste Authority	Jun 10, 2008	0.0%	\$ 32,839
28E Agreement:			
Polk County	Nov 25, 2008	0.0%	\$ 223,762

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 1,345,000	\$ -	\$ 125,000	\$ 1,220,000	\$ 45,810
1,315,000	-	310,000	1,005,000	50,990
1,445,000	-	340,000	1,105,000	52,678
2,410,000	3,900,000	500,000	1,910,000	59,593
620,000	-	50,000	570,000	17,925
-	3,900,000	1,275,000	2,625,000	15,218
<u>\$ 7,135,000</u>	<u>\$ 3,900,000</u>	<u>\$ 2,600,000</u>	<u>\$ 8,435,000</u>	<u>\$ 242,214</u>
<u>\$ 26,271</u>	<u>\$ -</u>	<u>\$ 13,136</u>	<u>\$ 13,135</u>	<u>\$ -</u>
<u>\$ 127,305</u>	<u>\$ 82,312</u>	<u>\$ 30,607</u>	<u>\$ 179,010</u>	<u>\$ -</u>

CITY OF PLEASANT HILL

Bond Maturities

June 30, 2011

Year Ending June 30,	General Obligation Bonds					
	Sewer Improvement Bonds Series 2009B Issued December 15, 2009		Urban Renewal Municipal Building Bond Issued April 15, 2004		Urban Renewal Corporate Purpose Issued June 27, 2006	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2012	1.50%	\$ 50,000	2.95%	\$ 130,000	3.85%	\$ 320,000
2013	2.00	50,000	3.15	135,000	3.90	335,000
2014	2.30	55,000	3.30	140,000	3.95	350,000
2015	2.50	55,000	3.40	150,000	-	-
2016	3.00	55,000	3.50	155,000	-	-
2017	3.20	55,000	3.60	160,000	-	-
2018	3.40	60,000	3.70	170,000	-	-
2019	3.70	60,000	3.80	180,000	-	-
2020	4.00	65,000	-	-	-	-
2021	4.10	<u>65,000</u>	-	<u>-</u>	-	<u>-</u>
Total		<u>\$ 570,000</u>		<u>\$ 1,220,000</u>		<u>\$ 1,005,000</u>

See accompanying independent auditor's report.

Urban Renewal Corporate Purpose Issued November 1, 2007		Corporate Purpose and Refunding Bonds Series 2009 Issued April 13, 2009		Urban Renewal Corporate Purpose Issued November 1, 2010		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
3.625%	\$ 350,000	2.05%	\$ 485,000	0.65%	\$ 1,300,000	\$ 2,635,000
3.65	370,000	2.45	490,000	0.85	1,325,000	2,705,000
3.70	385,000	2.80	240,000	-	-	1,170,000
-	-	2.90	250,000	-	-	455,000
-	-	3.10	255,000	-	-	465,000
-	-	3.30	190,000	-	-	405,000
-	-	-	-	-	-	230,000
-	-	-	-	-	-	240,000
-	-	-	-	-	-	65,000
-	-	-	-	-	-	65,000
	<u>\$ 1,105,000</u>		<u>\$ 1,910,000</u>		<u>\$ 2,625,000</u>	<u>\$ 8,435,000</u>

CITY OF PLEASANT HILL

Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds

For the Years Ended

				June 30,
	2011	2010	2009	2008
Receipts:				
Property and other city tax	\$ 4,261,584	\$ 3,850,081	\$ 3,806,311	\$ 3,313,909
Tax increment financing collections	4,758,779	5,248,999	4,275,494	3,630,261
Licenses and permits	65,175	143,578	194,591	168,778
Use of money and property	100,538	68,402	96,504	188,217
Intergovernmental	1,359,347	1,062,857	1,099,505	1,312,547
Charges for services	293,963	219,557	234,296	322,878
Special assessments	-	545	32,661	9,691
Miscellaneous	153,401	151,021	180,891	550,704
	<u>\$10,992,787</u>	<u>\$10,745,040</u>	<u>\$ 9,920,253</u>	<u>\$ 9,496,985</u>
Total				
Disbursements:				
Operating:				
Public safety	\$ 1,970,745	\$ 1,905,802	\$ 1,717,222	\$ 1,745,604
Public works	835,004	803,504	960,336	761,155
Health and social services	25	-	5,682	-
Culture and recreation	796,184	755,784	699,371	557,622
Community and economic development	691,156	862,193	890,370	781,384
General government	919,745	959,653	836,204	1,017,406
Debt service	2,875,520	3,392,696	3,746,851	2,172,134
Capital projects	2,210,587	1,960,915	2,754,843	4,463,079
	<u>\$10,298,966</u>	<u>\$10,640,547</u>	<u>\$11,610,879</u>	<u>\$11,498,384</u>
Total				

See accompanying independent auditor's report.

2007	2006	2005	2004	2003
\$ 3,207,163	\$ 2,915,275	\$ 2,807,629	\$ 2,681,647	\$ 2,187,076
2,959,637	2,296,189	1,845,602	1,294,555	956,186
265,340	341,383	235,625	189,212	180,061
154,136	77,277	65,189	58,062	29,968
1,127,217	706,175	618,100	666,313	1,294,725
322,187	230,690	161,467	157,267	124,439
3,811	38,875	19,288	72,577	179
1,196,675	908,321	201,290	1,081,837	135,462
<u>\$ 9,236,166</u>	<u>\$ 7,514,185</u>	<u>\$ 5,954,190</u>	<u>\$ 6,201,470</u>	<u>\$ 4,908,096</u>

\$ 1,419,971	\$ 1,249,879	\$ 1,137,652	\$ 1,036,255	\$ 980,569
827,456	741,330	622,069	567,577	502,021
6,461	7,500	3,613	5,654	5,914
585,022	547,991	515,139	503,001	502,888
698,486	629,212	187,838	1,015,949	294,959
576,011	519,819	374,468	347,348	249,869
1,568,262	1,536,385	2,043,696	1,347,848	1,983,270
2,701,869	3,050,600	5,124,447	2,835,298	1,699,395
<u>\$ 8,383,538</u>	<u>\$ 8,282,716</u>	<u>\$10,008,922</u>	<u>\$ 7,658,930</u>	<u>\$ 6,218,885</u>

City of Pleasant Hill



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Pleasant Hill, Iowa as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 31, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Pleasant Hill's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Pleasant Hill's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Pleasant Hill's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the City of Pleasant Hill's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-A-11, II-B-11 and II-C-11 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Pleasant Hill's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Pleasant Hill's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Pleasant Hill's responses, and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Pleasant Hill and other parties to whom the City of Pleasant Hill may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Pleasant Hill during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
October 31, 2011

CITY OF PLEASANT HILL

Schedule of Findings

Year ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF PLEASANT HILL

Schedule of Findings

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

- II-A-11 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should continue to monitor its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will monitor the procedures as suggested.

Conclusion - Response accepted.

- II-B-11 Tax Increment Financing (TIF) Transfers - During the audit, we identified transfers from the TIF funds to the Debt Service Fund that should have been made but were not made. TIF revenues can only be used to repay some form of certified debt. The City received TIF taxes intended to pay on debt items that were not transferred to the Debt Service Fund where the related amounts were disbursed. This initially left the Debt Service Fund with a negative balance.

Recommendation - We recommend that procedures be put into place for the City to transfer TIF receipts for certified debt to the applicable fund where the obligation is expended.

Response - The City has made the transfers subsequent to the fiscal year end and the transfers are reflected in the audited financial statements. The City will adopt procedures to insure that TIF fund transfers are made to cover all certified debt paid out of other applicable funds.

Conclusion - Response accepted.

- II-C-11 Tax Increment Financing Interest - The City has earned interest on funds accumulated in the Tax Increment Financing (TIF) Fund and has not decertified the amount of interest with the county. Chapter 12c.9 of the Code of Iowa requires that interest earned on funds being accumulated for the payment of principal and interest be used for that same purpose.

Recommendation - The City needs to decertify to the county, the amount of interest earned on TIF funds.

Response - We will decertify the interest with our next filing with the county.

Conclusion - Response accepted.

CITY OF PLEASANT HILL

Schedule of Findings

Year ended June 30, 2011

Part III: Other Findings Related to Required Statutory Reporting:

III-A-11 Certified Budget - Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.

III-B-11 Questionable Disbursements - No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-C-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-11 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Bill Lack, Council member, Owner, Lack's Body & Paint Center	Vehicle repair	\$ 1,398

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the council member did not appear to represent a conflict of interest since the work was awarded on a competitive bidding process.

III-E-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.

III-F-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-11 Deposits and Investments -

Deposit Resolution - The City had deposits in one financial institution in excess of the amount approved by resolution as to the maximum approved for that financial institution.

Recommendation - The City either needs to deposit funds in other approved financial institutions when amounts will exceed authorized maximums or pass a resolution to increase the maximum if current maximums are considered too low.

Response - We will monitor the amounts and take the necessary action as approved by the City council.

Conclusion - Response accepted.